

## Next Science 2023 September Quarterly Activity Report

### Highlights:

- Discipline and diligence around quality of revenue realised significant increase in Gross Margin.
- Quarterly Gross Profit increased from \$2.4m to \$3.8m yoy.
- 3QFY23 Product Sales (unaudited) increased 60% yoy to US\$5.0m however, decreased 11% qoq due to transitioning DME customer base.
- Cash on hand for 30 September was US\$12.4m.

**Sydney Australia Monday, 23 October 2023:** Next Science Limited (ASX: NXS) (**Next Science**), a medical technology company focused on commercialising its proprietary XBIO™ suite of products to reduce the impact of biofilm-based infections in human health, is pleased to provide an update on its activities for the quarter ended 30 September 2023.

### Product Sales

Product Sales (unaudited) for 3QFY23 increased 60% yoy to US\$5.0m, with FY23 YTD product sales up 81% yoy, but decreased 11% qoq.

Quarterly performance was impacted primarily by the Wound Care business, where a combination of more focused customer targeting of wound care centers and longer lead times than expected in receiving new payor approvals.

The Surgical business is showing signs of momentum picking up with positive early traction from the HealthTrust GPO contract that commenced on 1 August 2023.

Next Science ended 3QFY23 with a sales team of 47 (excluding support roles) across all direct channel product lines, as compared with 45 at the end of 2QFY23.

### Wound Care

The Wound Care business through the Durable Medical Equipment (DME) structure had a mixed result. Wound care sales for 3QFY23 decreased 7% qoq and through the DME, 5% qoq. Prescriber focus saw an overall increase of 31% qoq of first-time prescribers to 1,079. Time required for approval of new payor access has been variable. The Wound Care sales team expanded 11% qoq from 37 to 41, including 10 talent upgrades.

Over 50% of DME sales volume is being sourced through high volume wound care centres (WCC). Next Science has now sourced sales volume from over 370 out of the 1,800 WCC market.

Reimbursement for wound care treatment is claimed through Medicare / Medicaid and a range of private payors. Next Science has contracted with 13 payors, up from 5 at 1QFY23, and is currently progressing with multiple other payors.

### Surgical

Direct Product Sales of XPERIENCE™ increased 10% qoq and 56% yoy. The hospital customer base increased 13% qoq / 42% yoy to 230 hospitals. We are experiencing positive early traction from the HealthTrust contract that commenced on 1 August 2023.

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## Operating Cashflow

Net operating cash outflows were US\$4.1m for 3QFY23, an increase of 8% qoq. The result reflects:

- Cash receipts reduced 3% qoq to US\$5.2m.
- Medicare receivable of US\$0.8m to be received post 3QFY23 close date.
- Scale efficiencies assisting gross margins via 30% qoq reduction in COGS.

Payments to Directors were US\$189k.

Cash on hand at 3QFY23 was US\$12.4m.

## Funding growth ambitions

During the period Next Science conducted a successful capital raising, in which A\$21.5m was raised from institutional and sophisticated investors, via an institutional placement, Share Purchase Plan (SPP) and a US offer. The institutional placement and SPP were both oversubscribed. The Board and Management appreciate the support of its investors.

The funds raised will be used for:

- promotion of XPERIENCE™ research
- resourcing to service the HealthTrust opportunity
- expansion of the DME sales force
- expansion of a second fulfillment site for the DME
- provide general working capital

At the forthcoming General Meeting to be held on 25 October 2023, shareholders will have the opportunity to approve the retirement of the A\$10m Secured Convertible Notes held by Walker Group Holdings Pty Limited and subscription for new shares to the same value, as part of the conversion of the debt instrument into equity in Next Science. Upon approval of this resolution, Next Science will have a clean balance sheet with no debt.

## Clinical evidence

### Periprosthetic Joint Infection Study

Recruitment for the 7,600-patient study into Periprosthetic Joint Infection (PJI) through the Ottawa Hospital Research Institute in Canada (Canada PJI study) resulted in 140 patients enrolled in the first site. A second site has now commenced recruiting, with another five sites pending completion of contracts.

This clinical trial (prospective, multi-centre, double-arm, parallel, interventional, randomised, controlled) will assess the rate of periprosthetic joint infection (<90 days post-surgery) in patients undergoing primary total knee arthroplasty, total hip arthroplasty or hip resurfacing (HR) with XPERIENCE™ Advanced Surgical Irrigation versus dilute Betadine.

The scale of the study is designed as part of our objective of XPERIENCE™ becoming standard of care. Next Science will report on progress with recruitment on a quarterly basis.

## Outlook

3QFY23 was one of significant change that included new US based leadership, changes at Board level and a A\$21.5m capital raising to fund the Company's growth ambitions.

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This period of change was coupled with a quarter that experienced a slowdown in revenue generation due to Next Science targeting customer segments which are able to generate sustainable sales. Success in this endeavour is producing early results with a rise in our Gross Margin to c.75% for the quarter.

The slowdown in revenue means Next Science is not likely to achieve its 2HFY23 revenue guidance of US\$16m to US\$19m. However, the Company is confident that it has put a stronger foundation in place with improvement in gross margins and cost control. Anticipated revenue guidance is lowered to US\$12m to US\$14m for 2HFY23.

**Commenting on Next Science's outlook, Managing Director (MD) I.V. Hall said** "As we close this quarter, my first as the CEO and MD of Next Science, I would like to express my sincere appreciation to the shareholders and employees for their strong support. We are making early progress in our company's transition to being more focused, being more diligent, and drive for access to our great products to improve patient care."

Approved and authorised for release by the Board of Directors.

## Further Information:

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## Next Science Investor Information

Next Science welcomes direct engagement and encourages shareholders and interested parties to visit the Next Science Investor Hub which provides additional background information, videos and a forum for stakeholders to communicate with each other and with the company. Stakeholders can communicate directly with Next Science through the attached link.

<https://investorhub.nextscience.com/announcements>

## About Next Science

Next Science is a medical technology company headquartered in Sydney, Australia, with a research and development centre in Florida, USA. Established in 2012, the company's primary focus is on the development and continued commercialisation of its proprietary XBIO™ technology to reduce the impact of biofilm-based infections in human health. XBIO™ is a unique, non-toxic technology with proven efficacy in eradicating both biofilm-based and free-floating bacteria. Next Science owns 100% of the patent protected intellectual property relating to its XBIO™ technology. For further information visit: [www.nextscience.com](http://www.nextscience.com)

## Forward looking statements

This announcement may contain forward looking statements which may be identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may" and other similar words that involve risks and uncertainties. Such statements are not guarantees of future performance and involved known and unknown risks uncertainties, assumptions and other important factors, many of which are beyond the control of Next Science or its Directors and management and could cause Next Science's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements.

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